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Dale

CALVERT-DALE ESTATES LIMITED

1976

ANNUAL REPORT

CALVERT-DALE ESTATES LIMITED

FINANCIAL STATEMENTS

JULY 3, 1976



Dale

CALVERT DALE ESTATES LIMITED

12 Vodden St., Brampton, Ontario, Canada

(416) 459-8111 L6V 1M3

Novembe 23, 1976

Dear Shareholder:

This has been a most exciting year for your company. The return to profitability after phasing out the large portion of the greenhouse area has been accomplished with a minimum of dislocation.

The shareholders authorized the sale to Kings Point Developments Limited of all of our surplus real estate and this sale was completed November 1, 1976, as set out in note 2 to the financial statements. We have been relieved of a large burden of debt and now hold a substantial mortgage.

Although obtaining perishable goods of high quality continues to remain a problem, it is anticipated that 1976-1977 will be a profitable year in all divisions.

At this time, I would like to recognize the dedicated efforts of management and our employees during the year.

Sincerely yours,
on behalf of the
Board of Directors

Roy A. Nicholson
President.

BRANCHES:

747 Guy St.
2421 Holly Lane

Montreal H3J 1T6
Ottawa K1V 7P2

(514) 934-0811
(613) 731-0481

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

St. John's Halifax Saint John Quebec Montreal
Ottawa Toronto Mississauga Hamilton Kitchener
London Windsor Thunder Bay Winnipeg Regina
Calgary Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

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AUDITORS' REPORT

To the Shareholders of
Calvert-Dale Estates Limited:

We have examined the balance sheet of Calvert-Dale Estates Limited as at July 3, 1976 and the statements of income, deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at July 3, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
November 2, 1976.

Clarkson, Gordon & Co.

Chartered Accountants



CALVERT - DALE ESTATES LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet

July 3, 1976

(with comparative figures as at June 28, 1975)

ASSETS

	<u>1976</u>	<u>1975</u>
Current:		
Cash	\$ 2,564	\$ 2,965
Accounts receivable (note 3(b))	1,000,125	1,036,558
Inventories (note 1(a))	844,902	1,124,494
Prepaid expenses	37,794	36,545
Property held subject to sale (note 2)	<u>943,795</u>	<u>943,795</u>
	<u>2,829,180</u>	<u>2,200,562</u>
Fixed, at cost (note 1(b)):		
Land	27,678	27,678
Building and leasehold improvements	446,430	413,146
Machinery, vehicles and equipment	<u>421,218</u>	<u>449,787</u>
	895,326	890,611
Less accumulated depreciation	<u>511,900</u>	<u>506,947</u>
	383,426	383,664
Property held subject to sale (note 2)	<u>383,426</u>	<u>955,700</u>
	<u>383,426</u>	<u>1,339,364</u>
Sundry assets, at cost	<u>31,542</u>	<u>29,436</u>

\$3,244,148

\$3,569,362

On behalf of the Board:

Director

W. A. Nicholson

Director

Wallace R. Huron

LIABILITIES

	<u>1976</u>	<u>1975</u>
Current:		
Bank indebtedness (note 3(b))	\$ 661,503	\$1,161,762
Accounts payable and accrued charges	434,789	675,756
Sales and other taxes payable	19,940	40,471
Long term debt payments due within one year (note 3)	70,767	20,868
Due to Stradron Developments Limited (note 2)	460,000	
Deposit received on property held subject to sale (note 2)	<u>250,000</u>	<u></u>
	<u>1,896,999</u>	<u>1,898,857</u>
Deposits received on property held subject to sale (note 2)		<u>460,000</u>
Long term debt (note 3)	<u>615,000</u>	<u>730,767</u>

SHAREHOLDERS' EQUITY

Share capital (note 4):		
Authorized -		
2,000,000 common shares without par value		
Issued -		
1,129,179 shares (1975 - 1,076,006 shares)	1,643,749	1,598,749
Contributed surplus	<u>7,500</u>	<u>7,500</u>
	1,651,249	1,606,249
Deficit	<u>919,100</u>	<u>1,126,511</u>
	<u>732,149</u>	<u>479,738</u>
	<u>\$3,244,148</u>	<u>\$3,569,362</u>

(See accompanying notes)



CALVERT - DALE ESTATES LIMITED

Statement of Income
FOR THE YEAR ENDED JULY 3, 1976
(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Sales	<u>\$7,764,000</u>	<u>\$8,351,245</u>
Income before the following items	\$ 305,026	\$ 36,474
Interest earned	<u>36,595</u>	<u>32,011</u>
	<u>341,621</u>	<u>68,485</u>
Depreciation less profit of \$14,950 (\$7,750 loss in 1975) on disposal of fixed assets	64,628	143,261
Interest on long term debt	71,781	80,543
Other interest	<u>114,393</u>	<u>135,980</u>
	<u>250,802</u>	<u>359,784</u>
Income (loss) before income taxes and extraordinary items	90,819	(291,299)
Income taxes	<u>44,047</u>	<u> </u>
Income (loss) before extraordinary items	<u>46,772</u>	<u>(291,299)</u>
Extraordinary items:		
Adjustment of provision for losses (provision in 1975) on reduction in scale of flower growing operations less related income taxes of \$56,548 in 1976 (note 9)	60,044	(273,000)
Reduction of income taxes provided above through application of prior year's losses (note 5)	<u>100,595</u>	<u> </u>
	<u>160,639</u>	<u>(273,000)</u>
Income (loss) for the year (note 6)	<u>\$ 207,411</u>	<u>\$ (564,299)</u>

Statement of Deficit
FOR THE YEAR ENDED JULY 3, 1976
(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Deficit, beginning of year	\$1,126,511	\$ 562,212
Income (loss) for the year	<u>207,411</u>	<u>(564,299)</u>
Deficit, end of year	<u>\$ 919,100</u>	<u>\$1,126,511</u>

(See accompanying notes)



CALVERT - DALE ESTATES LIMITED

Statement of Changes in Financial Position

FOR THE YEAR ENDED JULY 3, 1976

(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Cash generated:		
From operations -		
Income for the year before extraordinary items	\$ 46,772	
Depreciation and other charges not requiring an outlay of cash	<u>61,836</u>	
	108,608	
Decrease in accounts receivable	39,225	\$ 7,947
Decrease (increase) in inventories	<u>279,592</u>	<u>(10,967)</u>
	427,425	(3,020)
From other sources -		
Increase in bank indebtedness		255,369
Reduction of income taxes	44,047	
Deposits on property held subject to agreement of sale	250,000	120,000
Disposals of fixed assets (net)	<u>64,108</u>	<u> </u>
Total cash generated	785,580	372,349
Issue of share capital on conversion of debt	<u>45,000</u>	<u>48,000</u>
	<u>\$830,580</u>	<u>\$420,349</u>
Cash absorbed, invested and repaid:		
In operations -		
Loss for the year before extraordinary items		\$291,299
Depreciation and other charges not requiring an outlay of cash		<u>151,851</u>
		139,448
Decrease in accounts and taxes payable	\$ 261,498	14,648
Increase in prepaid expenses and other assets	<u>2,954</u>	<u>9,025</u>
	264,452	163,121
Decrease in bank indebtedness	500,259	
Purchase of fixed assets (net)		138,440
Reduction in mortgage principal	869	50,788
Reduction in 7½% sinking fund debentures	<u>20,000</u>	<u>20,000</u>
Total cash absorbed, invested and repaid	785,580	372,349
Conversions of 10% debentures into share capital	<u>45,000</u>	<u>48,000</u>
	<u>\$830,580</u>	<u>\$420,349</u>

(See accompanying notes)



CALVERT - DALE ESTATES LIMITED

Notes to Financial Statements

JULY 3, 1976

1. Accounting policies

The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Inventories -

Inventories comprised of resale merchandise and production supplies are valued at the lower of cost (determined on a first-in, first-out basis) and net realizable value.

(b) Fixed assets and depreciation -

Rates and bases of depreciation applied by the company to write off the costs of fixed assets over their estimated useful lives are as follows:

	<u>Annual Rate</u>	<u>Basis</u>
Building	5%	Diminishing balance
Machinery and equipment	20-25%	Diminishing balance
Leasehold improvements	10%	Straight line
Vehicles	30%	Straight line

2. Property held subject to sale

On November 1, 1976, pursuant to an agreement dated June 21, 1976, the company completed the sale of its surplus property held subject to sale for \$6,354,072. Of the total sale price, cash of \$250,000 was received on signing of the agreement and a further \$997,072 on completion of the transaction. The balance of \$5,107,000 is secured by a first mortgage on the property sold, bearing interest at the rate of 9½% per annum payable monthly, and due as to \$500,000 on August 1, 1977 and the balance on November 1, 1981. Under the terms of the

agreement, the company retained the right to occupy and use a portion of the property free of rent and other charges to November 1, 1977 with lease options for the following two years.

Conditions of, and transactions relating to, the sale included the following:

- (a) The 1973 agreement to sell a portion of the property to Stradron Developments Limited, a corporation in which certain directors of the company hold a 50% equity interest, was cancelled and the \$460,000 deposit in respect of such agreement was refunded on November 1, 1976. In addition, the company agreed to pay Stradron \$774,200 (of which \$524,200 was paid on November 1, 1976 with the balance due, without interest on August 1, 1977) representing interest on the refunded deposit, reimbursement of related legal and development costs incurred and compensation of \$500,000 for cancellation of the 1973 agreement.
- (b) The agreement to grant an option to Calron Developments Limited on the remaining lands (which was contingent upon the completion of the Stradron transaction) was cancelled for no consideration. Calron is an inactive corporation owned 50% by the company.
- (c) The company is committed to pay a commission of 2% of the sale price to a firm in which one of its directors is a partner.

Both the King's Point sale transaction and the Stradron cancellation agreement transactions were confirmed by the shareholders of the company at a general meeting of shareholders held on August 31, 1976.

In accordance with the company's policy of deferring gains on property sales until all material conditions attaching thereto have been satisfied, no portion of the gain arising on the sale is reflected in the accompanying statement of income for the year ended July 3, 1976. After deducting costs relating to the cancellation of the 1973 agreement (described in (a) above), fees and other related costs, it is estimated that a gain of approximately

\$4,000,000 will result from the sale, after deducting estimated capital gains tax of \$400,000. The ultimate determination of the amount of taxes exigible on the sale is dependent on the agreement of taxation authorities with the basis of tax computation applied by the company.

3. Long term debt and bank indebtedness

	<u>1976</u>	<u>1975</u>
Mortgage:		
10% due December 15, 1976	\$ 16,680	\$ 17,548
Convertible debentures (see (a) below):		
10% subordinated debentures due December 1, 1976	140,000	150,000
7½% sinking fund debentures due December 15, 1976	54,087	74,087
10% subordinated sinking fund debentures due October 1, 1979, annual sinking fund instalment of \$37,500 (October 1, 1976 instalment met - see (iii) below)	225,000	260,000
Bank loan (see (b) below):	<u>250,000</u>	<u>250,000</u>
	685,767	751,635
Less principal payments due within one year included with current liabilities	<u>70,767</u>	<u>20,868</u>
	<u>\$615,000</u>	<u>\$730,767</u>

Since certain debenture holders have indicated their intention to convert their debentures into common shares, and since the current quoted market value of such shares is significantly in excess of the conversion price, no portion of the principal amounts of debentures due in the 1977 fiscal year is included with current liabilities. Excluding such amounts, principal payments on long term debt and bank indebtedness in each of the next four fiscal years are as follows: 1977 - \$70,767; 1978 - \$285,000; 1979 - \$37,500; 1980 - Balance of \$112,500.

(a) Debentures -

- (i) The 10% subordinated debentures due December 1, 1976, are convertible into common shares of the company at \$0.70 per share on or before the due date.
- (ii) The 7½% sinking fund debentures were redeemed at the principal amount on November 1, 1976.

- (iii) The 10% subordinated sinking fund debentures due October 1, 1979 may be called for redemption at a premium of 3% until September 30, 1977 and thereafter at premiums declining annually by 1% until September 29, 1979 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into common shares of the company at \$0.90 per share until September 30, 1979.

Subsequent to the year-end, \$40,000 of these debentures were converted into 44,444 common shares of the company. Of the principal amount converted the company elected to apply \$37,500 in satisfaction of the annual sinking fund payment required to be made on October 1, 1976. The balance of \$2,500 is available to apply against future sinking fund requirements.

The conversion rates of the debentures described above are subject to change on stipulated anniversary dates should additional shares of the company be issued.

- (iv) The holders of the 10% subordinated convertible debentures agreed to waive their rights under the Trust Deeds securing their debentures so as to permit the completion of the sale of the company's surplus properties as described in note 2 above.

(b) Bank loan and current bank indebtedness -

At July 3, 1976 the bank loan of \$250,000 and current bank indebtedness of \$661,503 were secured by a general assignment of book debts, a pledge under Section 88 of the Bank Act, a floating charge debenture and mortgages on the company's real estate. The bank subsequently agreed to release and discharge the debenture and mortgages in exchange for the assignment, as collateral security, of the mortgage taken back on the sale described in note 2. Under certain circumstances the bank has the right to require repayment of the loan in advance of the July 3, 1977 due date.

4. Share capital

During the year, \$35,000 of the 10% subordinated sinking fund debentures due October 1, 1979 were converted into 38,888 common shares of the company at \$0.90 per share and \$10,000 of the 10% subordinated debentures due December 1, 1976 were converted into 14,285 common shares at \$0.70 per share. After giving effect to the conversions of debentures subsequent to the year-end referred to in note 3(a)(iii), 405,557 of the company's authorized but unissued common shares are reserved for issuance upon the possible conversion of the remaining debentures.

5. Income taxes

Losses aggregating \$320,000 (all of which expire in 1980) and depreciation charges of approximately \$730,600 recorded in the company's accounts but not claimed for tax purposes are available to reduce taxable income of future years.

6. Earnings per share

Earnings per share based on the weighted average number of shares outstanding during the year were as follows:

	<u>1976</u>		<u>1975</u>	
	<u>Income before extraordinary items</u>	<u>Income for year</u>	<u>Loss before extraordinary items</u>	<u>Loss for year</u>
Earnings (loss) per share	\$0.04	\$0.19	\$(0.27)	\$(0.53)
Fully diluted earnings per share	\$0.04	\$0.14		

Fully diluted earnings per share have not been shown for 1975 as the conversion of outstanding debentures would not have had a material dilutive effect.

7. Lease commitments

Under contractual obligations with respect to leased premises, the company is committed to aggregate annual rentals of approximately \$120,000 to 1977, reducing to \$90,000 to 1979 and \$80,000 to 1986.

8. Remuneration of directors and senior officers

Remuneration of directors and senior officers (as defined under The Business Corporations Act, 1970) amounted to \$164,649 in the year, including \$1,575 paid as directors' fees.

9. Reduction in scale of flower growing operations

In 1975 as a result of increases in the cost of fuel oil and labour, the company concluded that it was uneconomic to continue flower growing in the majority of greenhouses and phased out operations in these growing ranges. A provision of \$273,000 was made as an extraordinary charge in the statement of income for that year to reduce to estimated salvage value the greenhouse assets expected to be phased out.

In 1976, on disposal of these greenhouse assets the actual loss incurred was \$156,408 resulting in an adjustment of the previous year's provision (less related income taxes of \$56,548) of \$60,044.

10. Comparative figures

Certain comparative figures have been restated to reflect the presentation adopted in 1976.



Dale

CALVERT-DALE ESTATES LIMITED

BOARD OF DIRECTORS

W. J. Corrigan, Jr., Perishables Division Manager of the Company

G. W. E. Gordon, President of Halliday Homes Limited

Jack B. Kaufman, President of A. L. Randall Company

*Roy A. Nicholson, President of the Company

*Wallace R. Pierson, Jr., Consultant, Vice-President and General
Manager of the Company

*John C. Stradwick, Sr., President of Stradwick Investments Limited

*John C. Stradwick, Jr., President of Simcoe-Bay Group of Companies

*Arthur H. Zaldin, Q.C., Senior member of the legal firm of
Zaldin and Fine, Secretary of the Company

* Members of the Executive Committee

OTHER SENIOR OFFICERS AND MANAGERS

Jose C. Borges, Treasurer

Barry Brundige, Manager, Ottawa Branch

Leon E. Cowtan, Assistant Manager, Florist Supply Division

Allan E. Hore, Office Manager, Brampton

Manfred G. Mewes, Manager, Retail Division

Clarence H. Potter, Office Manager, Montreal Branch

W. R. Waters, Manager, Florist Supply Division

Russell Wilkins, Manager, Montreal Branch

AUDITORS: Clarkson, Gordon & Co., Toronto

LEGAL COUNSEL: Zaldin and Fine

BANKER: The Toronto-Dominion Bank

REGISTRAR AND TRANSFER AGENT:
Canada Permanent Trust Co., Toronto

LISTED on the Toronto Stock Exchange

